

**DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA**

IN THE MATTER of the Application of	)	
NORTHWESTERN CORPORATION	)	UTILITY DIVISION
For Authority to Consummate Up to \$600	)	
Million in Exit Financing and to	)	DOCKET NO. D2004.7.118
Issue Up to 35.5 Million Shares Of	)	
Common Stock	)	DEFAULT ORDER NO. 6581

**FINAL ORDER**

1. On July 20, 2004, NorthWestern Corporation (“NorthWestern” or “NOR”), a Delaware corporation authorized to transact business within Montana, filed with the Montana Public Service Commission (“Commission”) its application (“Application”) pursuant to Montana Code Annotated (“MCA”) §§ 69-3-501 through 69-3-507 (2001), seeking an Order authorizing NOR to consummate up to \$600 million in exit financing and to issue up to 35.5 million shares of Common Stock. The Exit Financing Facilities can be comprised of:

- (a) \$250 million senior credit facility, whereby its components will include a \$100 million revolving credit facility and a \$150 million term loan facility (or some combination thereof); and
- (b) Up to \$350 million of senior secured notes.<sup>1</sup>

2. The obligations under the proposed financing will be secured by long term notes in the form of first mortgage bonds (the “First Mortgage Bonds”) to be issued under operative indentures, which in turn will be secured by, respectively, NorthWestern’s Montana public utility assets and South Dakota utility assets. The proceeds from the Exit

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<sup>1</sup> NorthWestern is authorized to modify the dollar amounts of the individual components comprising the \$600 million to optimize financing market conditions, provided that the total principal amount of the Exit Financing Facilities does not exceed \$600 million.

Financing Facilities will be used to repay and refinance NorthWestern's \$50 million debtor-in-possession credit facility with Bank One, N.A., repay and refinance that certain \$390 million credit facility with Credit Suisse First Boston (the "CSFB Facility"), and repay and refinance that certain \$150 million of senior secured financing represented by 7.30% Series Notes Due 2006 (the "Montana 2006 Secured Facility"). The CSFB Facility and the Montana 2006 Secured Facility are currently secured by \$280 million of Montana first mortgage bonds and \$150 million Montana first mortgage bonds, respectively. These bonds will be cancelled and reissued under the operative Montana indenture to collateralize the Exit Financing Facilities.

3. The 35.5 million shares of new Common Stock proposed to be issued with NorthWestern pursuant to the terms of its proposed plan of reorganization ("Reorganization Plan") in exchange for and cancellation of approximately \$1.2 billion of senior unsecured and subordinated unsecured obligations. The Common Stock will be issued only if NorthWestern's Reorganization Plan is confirmed and becomes effective.

4. The proposed Exit Financing Facilities and the issuance of the Common Stock are as provided for in NorthWestern's Reorganization Plan and as contemplated by that certain Stipulation and Settlement Agreement dated July 8, 2004 entered into by and among NorthWestern, the Commission and the Montana Consumer Counsel.

5. The Application is supported by exhibits and data in accordance with Commission practice and rules and regulations governing the issuance and sale of securities by public utilities operating within the State of Montana.

6. The Application states that NOR is a public utility as defined in MCA § 69-3-101, in that it furnishes electric and natural gas service in the State of Montana through NorthWestern Energy, a division of NorthWestern; that its principal executive office for its Montana operations is at 40 East Broadway, Butte, Montana; and that NOR is duly qualified to do business in the State of Montana. For detailed information with respect to

the general character of NorthWestern's business and the territory served by it, reference is made to the Application.

### **FINDINGS**

1. NOR is a corporation organized and existing under and by virtue of the laws of the State of Delaware and is qualified to transact business in the State of Montana.

2. NOR is a public utility as defined in MCA § 69-3-101 and is engaged in furnishing electric and natural gas service in the State of Montana through its division, NorthWestern Energy.

3. The Commission has jurisdiction over the subject matter of the Application pursuant to MCA §§ 69-3-501 through 69-3-507.

4. The Application states that the NOR intends to enter into the Exit Financing Facilities, as described in term sheets attached to the Application as Exhibit 6, and issue up to 35.5 million shares of Common Stock to assist in consummating its Reorganization Plan. Entering into the Exit Financing Facilities and issuing of the stock upon confirmation of the Reorganization Plan are part of a comprehensive plan to strengthen NOR's financial condition, improve its credit profile and position NOR for stable, long term financial performance with the focus upon its core utility business as agreed upon in the Settlement Agreement.

5. First Mortgage Bonds to collateralize the Exit Financing Facilities will be issued under an indenture covering NorthWestern's Montana utility assets in an amount up to \$473 million (the "Montana Bonds") and under an indenture covering NorthWestern's South Dakota utility assets in the amount of \$127 million (the "South Dakota Bonds"). As detailed in the Application, the Montana Bonds will be either: (i) issued to a collateral agent to secure the revolver and term loans under the respective Exit Financing Facilities; and/or (ii) syndicated in a private placement to qualified institutional buyers. The Montana Bonds will be issued under and secured by that certain Mortgage and Deed of Trust dated October 1, 1945 from NOR to the trustees named therein, as

supplemented from time to time, which indenture creates a general and first priority lien on substantially all of NOR's public utility properties in Montana.

6. NOR states that the Montana Bonds, in part, will secure the Exit Financing Facilities which will replace existing credit obligations owed by NorthWestern. Consummation of the financing is anticipated to occur as soon as possible after the entry of an order by the Bankruptcy Court confirming NorthWestern's Reorganization Plan. NOR anticipates that the effective date of its plan will be September 30, 2004, subject to extensions as may be necessarily mandated by the bankruptcy proceedings. NOR states that the Exit Financing Facilities to be secured by the Montana Bonds will be used for general corporate purposes allowed under MCA § 69-3-501.

7. The 35.5 million shares of the Common Stock which NOR seeks to issue in accordance with the Reorganization Plan will be issued in an exchange for and cancellation of approximately \$1.2 billion of senior unsecured and subordinated unsecured obligations owed by NorthWestern.

8. NOR has undertaken to inform the Commission, after the issuance or sale, as to the principal amount sold, the maturity, the interest rate, the redemption and/or repayment provisions and any other information with respect to the Exit Financing Facilities and the bonds that the Commission may request.

9. Public notice of this Application was given by its inclusion on the Commission's agenda for July 27, 2004. NOR has furnished complete financial data with its Application in accordance with the developed practice of the Commission.

### **CONCLUSIONS OF LAW**

The Exit Financing Facilities and issuance of the Common Stock proposed by the Application, as hereinafter authorized, will be for a lawful purposes and are consistent with the public interest; is necessary or appropriate for and consistent with the proper performance by NOR of service as a public utility; and the aggregate amount of the

securities outstanding, and proposed to be outstanding, will not exceed the fair value of the Montana utility properties and business of NOR.

## **ORDER**

1. The Application of NorthWestern for authority to consummate the Exit Financing Facilities in the aggregate amount of \$600 million, to issue secured long term notes in the form of Montana First Mortgage Bonds in an amount not to exceed \$473 million to collateralize the financing, and to issue up to 35.5 million shares of Common Stock in accordance with the Reorganization Plan is approved subject to the confirmation of NorthWestern's Reorganization Plan. The Commission has jurisdiction over the entire amount of financing being sought by NorthWestern. This authorization is for a period beginning with the issuance of this Order and, unless extended, through and including December 31, 2004.

2. In accordance with MCA § 69-3-507, neither the issuance and sale of securities by NorthWestern pursuant to the provisions of this Order, nor any other act or deed done or performed in connection therewith, shall be construed to obligate the State of Montana to pay or guarantee, in any manner whatsoever, an security authorized, issued, assumed or guaranteed under the provisions of MCA §§ 69-3-501 through 69-3-507.

3. Issuance of this Order does not mean acceptance of NorthWestern's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order. Approval of this Application is for financing purposes only. This approval is without prejudice to the regulatory authority of this Commission with respect to ratemaking, rates, service, accounts, valuations, estimates or determination of cost, or any other matter subject to its jurisdiction as provided by law.

DONE IN OPEN SESSION at Helena, Montana, this 3rd day of August, 2004, by  
a vote of 5 to 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

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BOB ROWE, Chairman

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THOMAS J. SCHNEIDER, Vice Chairman

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GREG JERGESON, Commissioner

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MATT BRAINARD, Commissioner

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JAY STOVALL, Commissioner

ATTEST:

Commission Secretary

(SEAL)